

Service Date: November 21, 1997

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

\* \* \* \* \*

|   |   |                     |
|---|---|---------------------|
| IN THE MATTER of the Application of       | ) | UTILITY DIVISION    |
| COLSTRIP COMMUNITY SERVICES               | ) |                     |
| COMPANY for Authority to Increase Rates   | ) | DOCKET NO. D97.4.60 |
| for Water and Sewer Services in Colstrip. | ) | ORDER NO. 5977a     |

|   |   |                     |
|---|---|---------------------|
| IN THE MATTER of the Application of       | ) | UTILITY DIVISION    |
| COLSTRIP COMMUNITY SERVICES               | ) |                     |
| COMPANY for Authority to Increase Rates   | ) | DOCKET NO. D97.4.61 |
| for Water and Sewer Services in Colstrip. | ) | ORDER NO. 5978a     |

FINAL ORDER

**BACKGROUND**

1. On April 9, 1997, Colstrip Community Services Company (CCSC) filed an application with the Montana Public Service Commission (Commission) for approval of rate increases for the water and sewer services it provides in Colstrip, Montana. CCSC requested a general rate increase of \$153,780 in annual revenues from water rates, for an average increase of 29 percent, and additional annual revenues of \$89,750 from sewer services, for an increase of 47.2 percent.

2. The Montana Consumer Counsel (MCC) intervened on behalf of the ratepaying public.

3. On April 28, 1997, the Commission issued Procedural Order Nos. 5977 and 5978 in Docket Nos. 97.4.60 and 97.4.61, setting a hearing date of October 8, 1997, to hear the application.

4. On July 18, 1997, MCC filed a Motion to Suspend the Procedural Schedule. The Motion stated that based on CCSC's responses to discovery and on discussions that had taken place between CCSC and MCC, parties were likely to reach a fair and reasonable settlement of the issues in these two Dockets. The parties stated that they would keep the Commission informed of their progress in reaching a settlement, and would timely request appropriate future Commission action in these Dockets.

5. CCSC and MCC filed a Stipulation Agreement on September 26, 1997, agreeing to a general rate increase of \$145,090 in annual revenues for water service and \$84,521 for sewer service, or average increases of 27.4 percent in water rates and 44.5 percent sewer service rates.

6. On September 30, 1997, the Commission issued a Notice of Hearing on Rate Stipulation and Other Matters, setting the technical portion of the hearing for 1:00 p.m. on October 8, 1997, at the Human Services Building Meeting Room, 417 Willow, Colstrip, Montana. For the convenience of the public, an evening meeting was scheduled to begin at 6:00 p.m.

7. On October 8, 1997, the technical and evening meetings were held pursuant to the Notice. Commissioner McCaffree presided over both meetings as Hearings Officer. MPC's witnesses included: Michael Enterline, John Williams, Thomas Matosich and Ceil Orr. Frank Buckley testified in support of the stipulation on behalf of MCC. At the conclusion of the hearing, MPC and MCC stipulated to a final order of the entire Commission, rather than a proposed order.

### **FINDINGS AND DISCUSSION**

8. Consumers raised two principal issues during the evening meeting on October 8, 1997. The first issue related to three dewatering wells. As in the last Colstrip rate case, customers have concerns about the effect of these wells on who pays the sewer costs for the wells. During the public meeting CCSC was directed to file a Late-Filed Exhibit on this matter, and did so on October 24, 1997.

9. CCSC's Exhibit demonstrated that the dewatering wells use the CCSC sewer system as a conduit to get water from the dewatering wells to the creek and/or golf course. The cost of operating and maintaining the dewatering wells is not paid by ratepayers, but rather is borne by the power plants. Each well is treated as a separate customer by CCSC. The water from the wells is not typical of waste water normally processed by the sewer system, in that it does not contain organic waste and paper products. The costs associated with the waste water treatment plant are primarily related to the amount of organic waste and paper products put into the system. Without contributing waste or paper, the dewatering wells have less cost impact than a typical sewer customer contributing waste and paper, even though the wells put more water into the system.

10. The Commission finds that there is low cost impact from the dewatering wells. Water from the three wells is gravity fed to the wastewater treatment plant and does not require pumping. Once at the treatment plant, the water does not cause additional energy consumption. Levels in the oxidation ditch and clarifier are maintained at consistent operating levels regardless of the volume of water, and mechanical equipment in those areas is operated at a constant speed. No additional labor is required at the sewage treatment plant from the water from the dewatering wells.

11. The only incremental cost related to volume of water concerns chlorination. Wastewater treatment requires chlorination of all water discharged from the sewer plant. Thus, the water from the dewatering wells goes through the chlorination process, resulting in additional aggregate costs for chlorine of approximately \$11.35 per year for all three wells. In comparing the overall costs of the dewatering wells to other 1" sewer customers, this minimal incremental cost is more than offset by the fact that the wells do not contribute any organic waste or paper products, which are the primary cost factors.

12. Consumers raised the second issue at the evening meeting on metering residential customers. Some consumers are concerned that unmetered water service can result in excess water consumption by other consumers. In the last CCSC Docket No. 92.4.16, the Commission ordered CCSC to install meters on all non-residential connections with a service line of 1 inch or greater. Tariffed rates since that Docket have not included the costs of installing those meters. According to CCSC witness Mr. Enterline, the cost of those meters was \$137,598. Mr. Enterline in his prefiled direct testimony on Page 6, at Lines 15-17, stated: "...the use of meters for residential customers is not considered to be cost effective at this time. The cost of meters and meter installation is estimated to be \$550,000. This cost, along with costs of meter reading, meter maintenance, and consumption based billing, would have to be recovered from these customers. This would cause such a significant increase in rates that it is not a viable option." In response to Data Request PSC-8, CCSC provided a worksheet which showed the derivation of the \$550,000 estimate.

### COMMISSION DECISION

13. In the September 26, 1997, Stipulation between CCSC and MCC, the parties agreed to a water rate increase of \$145,090, an average annual increase of 27.4 percent over current revenues, which is a reduction of \$8,690 from the original filing. The parties also stipulated to a sewer increase of \$84,521, an average annual increase of 44.5 percent over current revenues and a decrease of \$5,229 from the original filing.

14. At the evening meeting Mr. Matosich explained the five areas that were adjusted from the original filing: meter amortization, regulatory expense, business plan salaries, audit expense and the sewer maintenance reserve. MCC conducted a thorough discovery audit in this case and found adjustments in these five areas. MCC and CCSC held discussions which resulted in a stipulation. This approach allowed CCSC to save rate case expense which benefits all consumers.

15. After a review of the record in this matter and hearing public testimony at the evening meeting, the Commission accepts the stipulation between MCC and CCSC as a reasonable settlement of all revenue requirement issues in these Dockets. On the issue of the three dewatering wells, the Commission finds, after a review of the Late-Filed Exhibit, that the wells cost CCSC ratepayers a minuscule amount for chlorination. Based on this evidence, the Commission concludes that these wells have no major cost impact on customers.

16. The Commission is sympathetic to the concern about unmetered water use. However, the Commission agrees with Mr. Enterline that at an estimated cost of \$550,000 the rate increase resulting from such metering would be unacceptable to the consumers in Colstrip.

### CONCLUSIONS OF LAW

1. The Applicant, Colstrip Community Services Company, is a public utility as defined in § 69-3-101, MCA. The Montana Public Service Commission properly exercises jurisdiction over Applicant's rates and service pursuant to § 69-3-102, MCA.

2. The Commission has provided adequate public notice and an opportunity to be heard as required by § 69-3-303, MCA, and Title 2, Chapter 4, MCA.

3. The rates and rate structure approved in this Order are just and reasonable. Sections 69-3-201 and 69-3-330, MCA.

**ORDER**

NOW, THEREFORE, IT IS ORDERED THAT:

1. Colstrip Community Services Company shall file rate schedules which produce increased annual revenues for the water utility of \$145,090 and increased annual revenues for the sewer utility of \$84,521.

2. These increased rates are effective for meters read on and after December 1, 1997.

DONE IN OPEN SESSION at Helena, Montana, this 17th day of November, 1997, by a vote of 4 - 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

---

DAVE FISHER, Chairman

---

NANCY McCAFFREE, Vice Chair

---

DANNY OBERG, Commissioner

---

BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson  
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.